OMERS
member news

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OMERS member Stefanie Aptsis

OMERS plan remains stable and secure

Investment results released in February show that OMERS move towards private investments over the past few years helped to temper the impact of the 2008 economic downturn. As a result of recent challenging market conditions and unprecedented volatility in global financial markets, the OMERS Fund posted a -15.3% total rate of return in 2008, compared with an 8.7% total rate of return in 2007.

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OMERS
Plan for the Future

An OMERS pension will provide you with retirement income for life and includes inflation protection, early retirement options and survivor and disability benefits. Member News keeps more than 248,000 members up to date on plan news and benefits.

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Responding to members' concerns on the impact of the current economic conditions, OMERS President and CEO Michael Nobrega said, "The first and most important thing I want to do is to assure all members that their pension benefits are secure. They are based on an individual's years of service and earnings – not on the performance of the stock market."

Long-term performance is the key

In spite of an overall negative return in 2008, OMERS 5-year average rate of return is 6.9% – exceeding our benchmark of 5.3%. "OMERS invests for the long-term. The 2008 results place OMERS in the top quartile – both this year and over the past five-year period," added Mr. Nobrega. "This has been a major factor in helping us to withstand the pressure of this downturn in the economy, and has contributed to the health of the Fund going forward."

The decrease in 2008 was driven by the decline in global financial markets and the onset of a global recession, which significantly reduced the value of our public and private equity investments and which also had a negative impact on the valuations of our real estate investments. The loss was primarily felt in our public equities holdings (-19.5%). This could have been worse were it not for the fact that OMERS avoided significant investments in asset-backed commercial paper or any of the other investments that have crippled several large investors.

"We have a long-term global vision when it comes to our investments, and we're sticking to it."

– Michael Nobrega, OMERS President and CEO

Net investment loss totaled $8.0 billion in 2008, compared with $3.9 billion in income a year earlier. Net assets dropped from $51.5 billion at the end of 2007 to $43.5 billion at the end of 2008.

Shifting investment priorities

"OMERS is in the process of shifting our asset mix to have more exposure to the less volatile private markets through our

Results (rate of return vs. benchmark)	2008		2007	
	Rate of Return	Benchmark	Rate of Return	Benchmark
Public Markets	-19.5%	-19.5%	2.6%	1.5%
Private Equity	-13.7%	13.5%	18.7%	11.6%
Infrastructure	11.5%	9.8%	12.7%	9.9%
Real Estate	6.0%	8.3%	22.9%	7.8%
Total Plan	-15.3%	-13.2%	8.7%	5.6%

investments in real estate, infrastructure, and private equity holdings. Our progress in this shift has tempered the negative impact of the recent downturn in the public markets," said Mr. Nobrega. From 2003 to 2008, OMERS reduced its exposure to public market investments from 82.2% to 60.2%, and increased its exposure to private market investments from 17.8% to 39.8%.

Positive returns in infrastructure and real estate investments helped to offset the general decline, which demonstrates the necessity and benefits of these investment types in current market conditions. And, even though our private equity returns were significantly below expectations (their valuations were affected by the downturn in the market), they still outperformed the public markets.

A positive outlook

Mr. Nobrega believes that OMERS is well positioned to ride out the current storm and well placed to take advantage of opportunities that arise during these conditions and afterwards.

"There are three things I'd like to stress. First, we have a long-term global vision when it comes to our investments, and we're sticking to it. Second, we have launched a new investment arm, OMERS Strategic Investments, which will better position OMERS to enter into partnerships with other like-minded investors. This will enable us to take advantage of larger private-asset investments, and we will aggressively pursue opportunities around the globe that will provide stable, long-term returns to the Fund. Third, we have a top-notch team of professionals running our investment activities and managing our pension system. This team will see us through these difficult times."

More information about OMERS 2008 investment performance is in the attached OMERS *in Focus* report to members. As well, OMERS annual report is available on our website.

Upcoming change to CV calculation

As we mentioned in our last issue of *Member News*, the Actuarial Standards Board (ASB) was reviewing the rules governing the calculation of commuted values (CVs).

Since then, the rule changes have been approved by the Canadian Institute of Actuaries. Once the Ontario government amends the Ontario *Pension Benefits Act (PBA)* to adopt the new standards, OMERS must begin to use them. The changes could take effect as soon as April 2009.

The new rules will not affect the pension benefit you continue to earn in OMERS. They could, however, lower the commuted values paid to members who leave the plan by about 5% (for older members) to up to 20% (for younger members). These figures have changed from previous estimates of 10% to 30%.

Note that members who choose to keep their pension in OMERS would not be affected.

The commuted value of a pension is the amount of money that must be put aside today to grow with investment earnings to provide a pension at a future date. It is one of the options available to members who cease employment and who are not yet within 10 years of their normal retirement date.

For more information, please see our FAQs on this subject at **www.omers.com** [Members/ Frequently asked questons/ 2009 Commuted Value changes].

OMERS responds to Expert Commission pension report

This February, OMERS delivered its formal response to the 2008 report of the Ontario Expert Commission on Pensions (OECP), which reviewed the province's pension system.

"The door is open for much-needed pension reform," said OMERS Pension Group SVP Evelynn Funston. "Our report, *Turning Recommendations into Actions*, covers OMERS top priorities: to request that public sector jointly-sponsored pension plans be exempted from quantitative investment restrictions and from solvency funding rules."

In addition, the OMERS report recommends the province implement an enhanced regulatory environment; revise the PBA to articulate principles wherever possible, backed up where necessary by specific rules; and adopt a process to support consolidation in the industry.

OMERS will post the full report on our website in March.

OMERS Private Equity invests in Canada's leading educational publisher

OMERS Private Equity manages a diverse portfolio that consists of fund relationships and a growing number of direct investments. One direct investment is Nelson Education Ltd., Canada's leading educational publisher.

Nelson was acquired in a joint venture by OMERS Private Equity and Apax Partners in July 2007.

OMERS *Member News* spoke with Paul Renaud, President and CEO of OMERS Private Equity and James Reeve, Vice President, Higher Education, Nelson Education Ltd., to learn more about this investment and what it means for OMERS.

What makes Nelson Education a valuable asset?

Paul: Nelson Education has many of the characteristics we look for in our investments. As the #1 Canadian academic publishing house, they are in a leading market position with strong fundamentals for growth and opportunities to enhance value.

Nelson's talented and dedicated management team and staff are a solid force behind the company's success. The team fosters great relationships with their authors and professors to continually produce the highest quality educational products and services.

The combination of these qualities ensure that Nelson is a valuable addition to our portfolio.

What type of material does Nelson Education publish?

James: We work with more than 4,500 authors and thousands of educators across the country, and publish a wide variety of print and electronic resources. This includes kindergarten literacy books, high school textbooks, post-secondary resources and trade publications on topics ranging from anatomy to zoology.

We also support French language learning markets and have a strong relationship with Cengage Learning, our U.S. affiliate company.

How did this partnership begin?

Paul: We were approached by Apax Partners, a private equity investment group we have been investors in, to be an investment partner for this acquisition.

Nelson Education is 100% Canadian owned, and is a cultural property under Heritage Canada. Because of this, a Canadian buyer was a necessary part of the sale. After extensive research to gain insight into the company, understand the publishing business and identify the key drivers of growth, we felt this was a strong and secure investment for OPE to make.

Fun facts about Nelson Education Ltd.

- Originated in 1798, when Thomas Nelson opened a second-hand bookshop in Edinburgh, Scotland.
- Established in Canada in 1914.
- Thomas Nelson, the Second, invented the rotary press in 1850.
- Thomas Nelson's daughter, Anne, married George Brown (founder and editor of Toronto Globe [today's Globe and Mail], politician, and one of the fathers of Confederation).

OMERS Private Equity is the majority investor in Nelson's Canadian business, while Apax is the majority stakeholder in Cengage Learning, Nelson's U.S. and international publishing business.

How stable is this investment, given the volatility in the economy?
Paul: Nelson Education has very stable market dynamics. To a certain degree, the academic publishing industry is recession-proof.

One reason is due to the Canadian government's continuous support, emphasis and funding into the education system. The concentration on our children – Canada's future workforce – is consistently a high-priority item on every government's platform. It's also interesting to note that during periods of economic downturn, enrolment in higher education actually increases as people return to school for additional training.

James: There is an ongoing focus on Canada's education system in times of recession or boom. The demand for school books and learning resources will continue, as will Nelson Education's support of all learning initiatives.

Our superior working relationships with authors and educators help maintain our stability and long-term growth as well.

Once educators adopt a textbook, they often build their course curriculum around the resource. Typically, this curriculum is used for many years. We will continue to work closely with our clients to keep their material current with revisions and new editions, and use their feedback to build the best learning tools for their students.

What does the future have in store for Nelson Education?
James: We are adapting to Canadians' interest in technology, and are focusing on customizing our products based on diverse student interests and needs. For example, we are creating more electronic and online supplements as an alternative to our print resources. This may include online study guides to complement textbooks and/or interactive electronic versions of books (e-books) with embedded study questions.

OMERS opens office in the United Kingdom

OMERS is accelerating its expansion into private market investments, starting with a new office in London UK under the OMERS Worldwide brand.

Located at 6 New Street Square, London, this new office will now be the launch pad for OMERS expansion into global investments focusing on real estate, infrastructure, and private equities. OMERS has been one of the top-performing funds in Canada for the past several years, driven by solid returns in private market investments. The Fund's investment expertise responsible for its success to date is expected to translate into growing success abroad.

OMERS has $5 billion of capital interests in real estate and infrastructure assets in the United Kingdom. These investments have an enterprise value exceeding $10 billion and include Associated British Ports, Scotia Gas Networks, and the Watermark Place office complex being developed in London.

The London office will have a 20-member team, including OMERS investment professionals in real estate, infrastructure, private equity and capital markets. As relationships are formed and new investment opportunities are discovered, OMERS Worldwide will assess the need to open additional offices in other regions.

Judith St. George, Minister-Counsellor, Canadian High Commission, London, with Michael Nobrega, OMERS President and CEO, at the opening of OMERS London UK office.

OMERS AC Board appointments announced

John Sabo's term as Chair of the OMERS Administration Corporation (AC) Board has been extended for 2009, and three current Board members have been reappointed. In addition, the Board welcomes Sid Ryan, who replaces David Carrington, and Bill Aziz, who replaces Ann Mulvale. OMERS bids farewell and thank you to Mr. Carrington and Ms. Mulvale for their years of service.

John Sabo
OMERS AC Board Chair
Mr. Sabo has been reappointed as AC Board Chair for 2009. He was first appointed to the AC Board in 2001 and currently serves as the employer representative from a School Board. He is the Associate Director of Leading Services and the Treasurer of the Board for the York Catholic District School Board, and the current Vice-President of both the Ontario School Boards Financing Corporation and the Catholic School Boards Services Association.

William (Bill) Aziz
Mr. Aziz was appointed to the AC Board as an AMO employer representative, effective February 2009. He is currently the President of BlueTree Advisors Inc. and sits on the boards of Canada Bread Company Ltd. and Tecumseh Products Company.

Richard Faber
Mr. Faber has been reappointed to the AC Board as the retired member representative. He was first appointed in June 2005. He has more than 30 years of municipal government experience, including more than 15 years as Manager of Budgets with the City of London.

Patrick (Sid) Ryan
Mr. Ryan was appointed to the AC Board as a CUPE member representative, effective September 2008. He has been the Ontario president of the Canadian Union of Public Employees (CUPE) for the past 16 years.

John Weatherup
Mr. Weatherup has been reappointed to the AC Board as a CUPE member representative. He was first appointed in November 2005. Since 1985, he has been employed by the Toronto District School Board and the former Toronto Board of Education.

More information
Visit **www.omers.com/Plan Governance** for more information on the AC Board and its members. The AC is responsible for administering the pension plan and investing funds to pay pensions. It is jointly governed by a Board comprised of seven employer and seven member representatives.

OMERS one of the Top 50 Employers in Canada

OMERS President and CEO Michael Nobrega is delighted with OMERS being named one of the Top 50 Employers in Canada. "The award is especially meaningful, as it is based on what our employees said about OMERS in a survey," said Mr. Nobrega. "It confirms the energy and commitment of OMERS employees."

The OMERS executive team believes that people bring their best to an organization that offers an environment of teamwork and rewarding challenges. "Focusing on an engaged workforce leads to better business results, and this is evidenced in our long-term investment and pension administration performance," added Mr. Nobrega.

OMERS employees are encouraged to have a sense of ownership and engagement in the work they do for plan members. "All of us work together to deliver OMERS 'pension promise': ensuring that municipal workers in Ontario have a pension waiting for them when they retire," said Mr. Nobrega.

One member's "read" on the OMERS plan

Stefanie Aptsis began working part-time for the Toronto Public Library as a page (shelving books) when she started high school at the age of 14. Fourteen years later, she is still with the Public Library– now as a full-time Public Services Assistant. With her aptitude for research, she's become quite interested and knowledgeable about her OMERS pension.

My job involves...helping library customers – to take books out, return them, locate materials, understand library resources and services, etc. I'm a bit of a jack of all trades. People come to a library to read – whether it's for research or pleasure, and to all we offer a free service with no sales pressure. What I enjoy most is the customer feedback. We cater to the broadest range of ages – from those who are just learning to read to those who enjoy written works into their later years – and almost all appreciate the help we provide.

I joined the OMERS plan...when I turned 18. My family had their own pensions, so I was already primed about the importance of a pension plan, and I'd heard good things about OMERS. I was told that it was a solid, reliable plan, that becoming a member would be good for my future, and that OMERS was comparable to or better than other plans.

What I like about OMERS membership...is the security. The markets can drop, along with personal investments like RRSPS, but you can always rely on your OMERS pension. Also, in my time at the Public Library, I've been exposed to a lot of financial publications that have stressed the importance of being in a jointly sponsored plan like OMERS – where both you and your employer contribute towards your retirement pension.

I would advise other (young) OMERS members...to find out as much as you can about your pension. Read OMERS materials, look over your annual statement, and visit their website, which is well set up and user friendly.

Also, check to see whether you have any service to buy now. I had some service with the Public Library before I joined OMERS. I found out I could buy this service to increase my pension. It's better to do this sooner rather than later, as buying service becomes more expensive the longer you leave it.

And finally...it's comforting to know – especially now, with talk of a recession – how your future OMERS retirement income is safe.

Marriage breakdown rules may be changing

The Ontario government is proposing changes to family law in Ontario. Included in the proposed changes are new rules on how to divide pension assets in the event of a marriage breakdown. These rules are designed to "clarify and speed up the division of assets when a family breaks up," said Attorney General Chris Bentley.

We're watching this issue and will keep you updated – online and in our next newsletter – on any news that develops.

Plan for the future – with OMERS

Learn about your pension at an OMERS member information session. The sessions are fun, informative and free of charge. Topics include early retirement options, inflation protection, survivor benefits and investments.

Information sessions scheduled for April to August 2009 (5:30 to 7:30 p.m.)

Date	Location	Date	Location
April 7	**St. Catharines**	May 20	**Burlington**
April 7	**Toronto east**	May 27	**Kingston**
April 21	**Chatham**	May 28	**Toronto (OMERS)**
April 22	**Markham**	June 3	**Richmond Hill**
April 28	**Ottawa**	June 10	**Timmins**
April 29	**Peterborough**	June 18	**Toronto (OMERS)**
May 6	**Toronto (OMERS)**	June 24	**Collingwood**
May 12	**Sudbury**	July 25	**Dryden**
May 13	**Cambridge**	August 12	**London**
May 13	**Thunder Bay**		

Between September and December, meetings will be held in Barrie, Belleville, Durham, Kingston, Kitchener, London, Markham, North Bay, Orillia, Ottawa, St. Catharines, Toronto and Windsor. Dates, locations, and the ability to register for the remaining sessions will be available in the summer of 2009.

For meeting locations and to register, contact OMERS Client Services or visit OMERS website under Members/Information sessions. Register early; the sessions fill up quickly.

OMERS 2009 Spring Information Meeting

Join us for an annual review of OMERS 2008 performance.

Reserve your seat by visiting us online at **www.omers.com.** (Note that seating is limited.)

Date: Friday, March 27, 2009

Time: 9:30 a.m. – 12:30 p.m.

Location: OMERS
1 University Avenue
16th floor, Toronto

If you can't join us in person, listen to our live audio webcast on March 27, beginning at 10:00 a.m.

Questions? Call us at 416-350-6708 or 1-866-725-6494.

Moving? Tell your employer

When OMERS sends mail to you, we use the address provided by your employer. We count on your employer to have your current address, so please advise them of any changes.

OMERS
Plan for the Future

If there is any discrepancy between the information in this newsletter and the *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act, 2006)* and the plan text, the *OMERS Act, 2006* and plan text will govern.

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